

## Message Text

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15

ACTION SS-20

INFO OCT-01 EA-11 ISO-00 AID-20 IGA-02 EB-11 OMB-01 TRSE-00

NSC-07 CIAE-00 INR-10 NSAE-00 RSC-01 SPC-03 SAM-01

PRS-01 H-03 OPIC-12 PM-07 DODE-00 L-03 DRC-01 /115 W

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O P 050248Z MAR 74

FM AMEMBASSY SAIGON

TO AMEMBASSY BANGKOK IMMEDIATE

INFO SECSTATE WASHDC PRIORITY 2279

S E C R E T SAIGON 2846

E.O. 11652: GDS

TAGS: OVIP, ECON, VS

SUBJECT: DEPUTY SECRETARY RUSH: ECONOMIC TALKING POINTS (VIETNAM)

1. FOLLOWING ARE TALKING POINTS FOR DPTY SECRTY RUSH ON THE  
ECONOMIC SITUATION IN VIETNAM.

2. PROSPECTS FOR FURTHER US ASSISTANCE: THE LDC'S ARE TRAPPED  
BY INFLATION, PARTICULARLY VIETNAM WHICH CANNOT RECOUP IN EXPORTS  
THE HIGHER IMPORT COSTS FOR POL AND OTHER COMMODITIES. IN GENERAL  
THE US IS URGING THE DEVELOPED COUNTRIES NOT TO TRY TO SETTLE  
THEIR OWN BALANCE OF PAYMENTS DEFICITS AT THE EXPENSE OF THE LDC'S  
-- THAT IS, BY REDUCING AID. AS TO VIETNAM:

A. THE US EXPECTS SHORTLY TO GRANT A \$60 MILLION DEVELOPMENT  
LOAN, BRINGING THE TOTAL OF SUCH LENDING IN THE CURRENT FISCAL YEAR  
TO \$110 MILLION;

B. THE ADMINISTRATION IS NOW PREPARING AN FY 1975 FOREIGN AID  
PRESENTATION TO THE CONGRESS, WHICH WILL INVOLVE A VERY SUBSTANTIAL  
INCREASE IN THE AUTHORIZATION FOR VIETNAM;

C. THE ADMINISTRATION IS WORKING TO REVERSE THE CONGRESSIONAL  
VOTE ON IDA REPLENISHMENT WHICH WOULD LEAD TO SOME \$50 MILLION IN  
AID CREDITS TO VIETNAM;

D. THE ADMINISTRATION REMAINS HOPEFUL OF A SUCCESSFUL CON-  
CLUSION TO ITS EFFORTS TO SECURE FAVORABLE CONGRESSIONAL ACTION ON  
OPIC (INVESTMENT GUARANTEE PROGRAM).

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E. THE ADMINISTRATION HAS ALREADY REQUESTED A LARGE INCREASE

IN MILITARY AID.

3. IMPRESSIONS OF CURRENT GVN ECONOMIC PERFORMANCE: THE VIETNAMESE ECONOMY IS PLAGUED WITH RECESSION, ON THE ONE HAND, AND RUNAWAY INFLATION ON THE OTHER. THE COUNTRY'S PROBLEMS ARE FOR THE MOST PART EXTERNALLY INDUCED, THE RESULT OF: LOSS OF FOREIGN EXCHANGE EARNINGS CAUSED BY THE US WITHDRAWAL; CONTINUED MILITARY PRESSURE BY THE NVA WHICH FORCES VIETNAM TO KEEP ONE-FIFTH OF ITS MALE LABOR FORCE UNDER ARMS; AND MOST RECENTLY, THE EXTRAORDINARY PRICE PRESSURES INDUCED BY THE WORLDWIDE PRICE RISES. THE GOVERNMENT'S PERFORMANCE, ESPECIALLY ITS SELF-HELP EFFORTS, HAS BEEN REMARKABLY GOOD. SPECIFIC EXAMPLES ARE:

- A. THE RAPID GROWTH OF EXPORTS WHICH NEARLY TRIPLED IN 1973;
- B. THE VERY IMPRESSIVE INCREASE IN TAX COLLECTIONS. DOMESTIC TAXES ROSE 130 PERCENT IN 1973, OR 40 PERCENT EVEN AFTER FULL ALLOWANCE FOR INFLATION;
- C. THE GOVERNMENT'S DECISIVE EFFORTS TO REDUCE CONSUMPTION OF POL PRODUCTS THROUGH A COMBINATION OF DIRECT MEASURES AND DRASTIC PRICE INCREASES, NOT ONLY ON POL PRODUCTS BUT ALSO WATER AND ELECTRICITY RATES;
- D. CONTINUED REFORM OF ITS EXCHANGE RATE SYSTEM WHICH HAS LED TO FULL APPROVAL BY THE IMF;
- E. RESETTLING AND PUTTING BACK TO WORK A LARGE NUMBER OF REFUGEES -- SOME 500,000 IN 1973 ALONE.

4. POSITIVE MEASURES STILL NEEDED: WE HOPE AND EXPECT WORLDWIDE INFLATIONARY PRESSURES TO EASE. THE GVN'S FIRST TASK THEN IS TO DO ALL IT CAN TO RAISE DOMESTIC PRODUCTION TO PROVIDE JOBS TO THE UNEMPLOYED AND TO REDUCE ITS OWN INFLATION. PRODUCTION CAN BE ENCOURAGED BY PROVIDING THE MAXIMUM INCENTIVES. THE GVN HAS CORRECTLY ACCORDED FIRST PRIORITY TO AGRICULTURE, WHERE VIETNAM HAS NATURAL RESOURCE ADVANTAGES. SOME OF THE MEASURES ALREADY TAKEN OUT OF NECESSITY -- E.G., SWITCHING CONSUMPTION FROM KEROSENE TO CHARCOAL OR DRASTICALLY INCREASING SUGAR PRICES TO CONSERVE FOREIGN EXCHANGE SPENT ON SUGAR -- HAVE ACCELERATED THE DEVELOPMENT OF THE COUNTRY'S OWN NATIONAL RESOURCES. SOME INCREASE IN INTEREST RATES WOULD SEEM TO BE CALLED FOR TO INDUCE SAVINGS, TO ENCOURAGE EMPLOYMENT AND THE BEST USE OF CAPITAL.

MARTIN

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## Message Attributes

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